



Introduction to Payments Orchestration

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**Edgar, Dunn
& Company**

Strategic Payments Consulting

Market Context

Merchants are facing a complex payments ecosystem

- The payments industry has become increasingly fragmented, with a growing number of payment methods that consumers can choose from, the emergence of local payment scheme and the wide range of channels that merchants can sell their products
- As merchants start operate at scale, finding new consumers in new markets, across multiple channels can prove to be insufficient and inefficient having a single PSP/Payment gateway to manage payments
- Merchants operating without redundancy and tied to the same pricing and services can limit growth
- Integrating with multiple PSPs and payment gateways can help merchants to avoid dealing with system outages and down-times and can add robustness to the merchant's payment system to better-fit the merchant's customers' payment preferences
- However, a merchant's in-house approach to payment integration comes with many challenges, such as:
 - Requires extra time for development teams to create and manage different payment integrations
 - Prevents the merchant from capturing valuable insights from the entire payment operations because each payment provider has different analytics tools and incompatible data definitions
 - Administrative cost overheads to create a unified reconciliation because there are diverse data formats
 - Excessive work to create a system of business rules to direct transactions to the most appropriate payment provider
 - Inability to deploy new services at a fast pace which will prolong the time to market new services, support new customer journeys and offer new payment methods
 - Inability to properly realise the return on investment

Introduction: Payments Orchestration

What is Payments Orchestration?

- Payments Orchestration is a hot topic in digital payment acceptance and payment processing
- Payments Orchestration is a concept that can influence how payments are accepted by a merchant through to where they are settled and specifically how payments are processed
- Payments Orchestration is performed by a new breed of middleware FinTech companies who connect to multiple Payment Service Providers (PSPs), payment gateways, fraud prevention technologies, eCommerce platforms and acquirers
- Payments Orchestration can be equally performed by merchants with an in-house built solution or by an off-the-shelf solution or performed by a merchant's own payment services provider or payment gateway
- A Payment Orchestration solution should enable merchants to take control of payment acceptance, from checkout through to the settlement of funds into the merchant's bank account, in order to stay competitive and agile in the constantly evolving payments landscape



What will Payments Orchestration provide?

- Payments Orchestration helps merchants connect to different payment providers and payment methods that seamlessly address their consumer requirements and support the merchant's business strategy
- Payments Orchestration solutions claim to:
 - Helps merchants scale faster
 - Optimize the payment checkout
 - Offer a customizable checkout experience
 - Increase the conversion rate
 - Optimize payment routing
 - Optimize payment settlement
 - Reduce financial reconciliation overheads
 - Improve real-time analytics and reporting
 - Provide a seamless user experience / frictionless payments
 - Increase geographic reach
 - Harmonize security
 - Reduce fraud
 - Increase payment authorizations



Is Payments Orchestration too good to be true?

An indicative overview of the Payments Orchestration landscape of competitive vendors and solution providers *

Payoneer
optile


A P E X X

 modo

switch.

Spreedly

ZOOZ
A PayU Company

 paydock

ACI Worldwide
Real-Time Payments

 **IXOLIT**
GROUP
IXOPAY

 Primer

**CELL
POINT
DIGITAL**

BR-DGE

 **WLPayments**
White Label Payments Platform

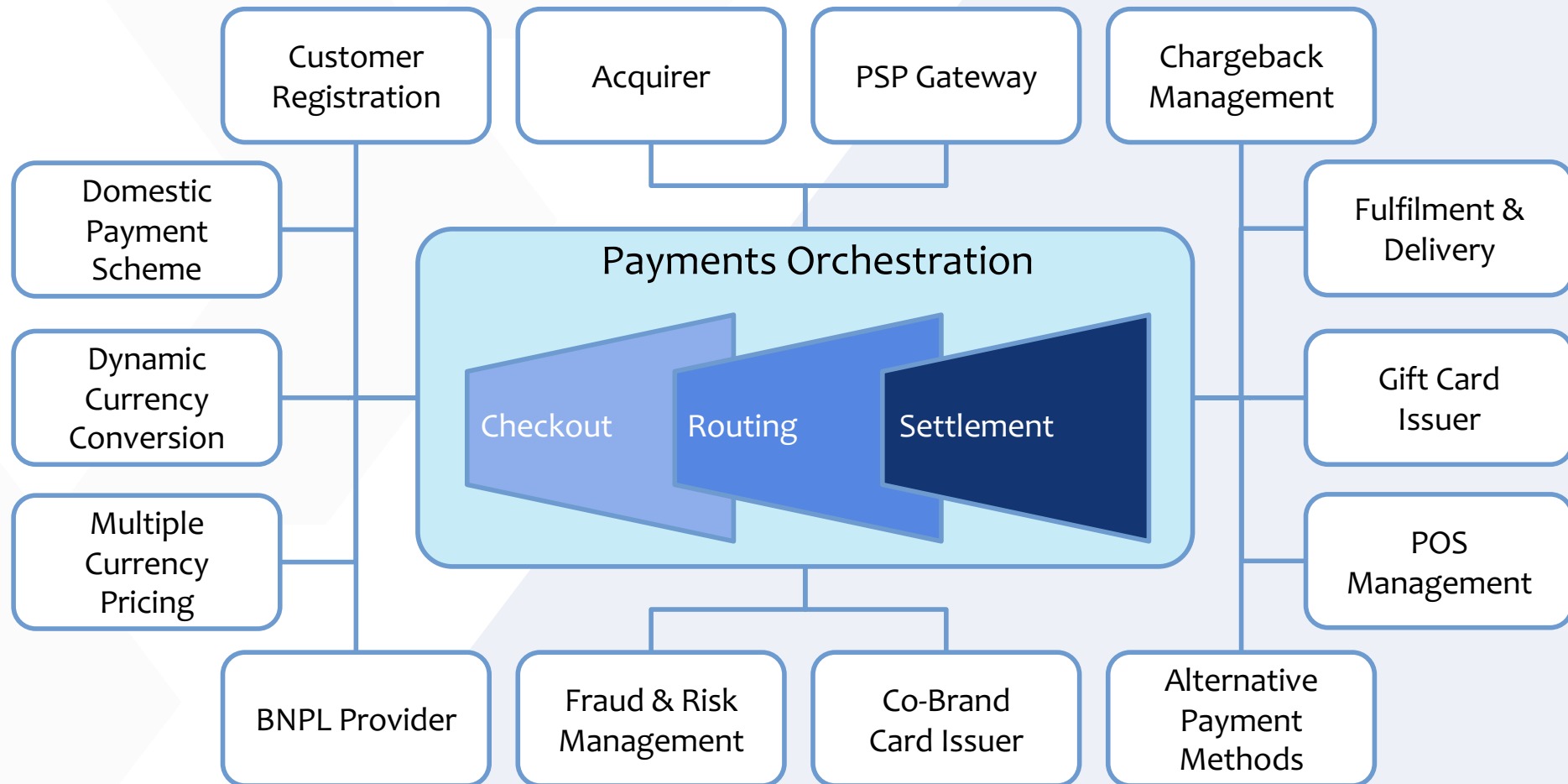
GR4VY

 **Shuttle**

Not all vendors will target merchants, some target payment service providers whereas others will target software solution vendors serving specific verticals

What does Payments Orchestration look like?

The Merchant assumes centre stage connected to multiple payment providers



Payments Orchestration is about determining how best to route a payment transaction from the merchant's checkout through to bank settlement, increasing the conversion and therefore maximising the merchant's sales

Payments Orchestration is not suitable for every merchant type

Merchant characteristics where Payments Orchestration can add value:

- A large merchant, operating across borders with a lot of transactions happening outside of its domestic market
- A merchant serving different types of consumers in different markets with different payment preferences
- A merchant accepting a wide range of payment methods and Alternative Payment Methods (APMs)
- An omnichannel merchant
- A merchant with multiple acquirers and/or connected with multiple gateways
- A merchant accepting multiple currencies

Merchant types where a Payments Orchestration solution would not be suitable:

- A merchant operating in a single market or region
- A merchant accepting a limited number of payment methods – e.g., only payment cards
- A merchant accepting a single currency or a limited number of currencies – e.g., GBP & Euro
- A merchant with a single acquirer or a limited number of acquirers (no more than two) and/or connected with a single payment gateway
- A single channel merchant
- A SMB/SME merchant



The principles of Payments Orchestration can be implemented in many ways

- Large merchants have built Payments Orchestration solutions in-house or attempted to address small discrete components of the Payments Orchestration, such as automatic reconciliation and reporting
- Payment gateways and acquirers have also been developing and refining how they offer Payments Orchestration solutions – a few examples include:



checkout.com

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- Not all Payments Orchestration vendors will address all the merchant's needs
- The EU's implementation of PSD2 and SCA (Strong Customer Authentication) requires payments to meet certain security criteria and present a challenge to the customer
- PSD2/SCA has added to payment complexity and Payments Orchestration does not always support SCA
 - There are only a limited number of scenarios where SCA is not required and a Payments Orchestration solution is not needed, such as:
 - The customer is present
 - The customer has whitelisted the merchant
 - The value of the payment is low and is except from the SCA authentication

Need to know more about Payments Orchestration? Contact Edgar, Dunn & Company



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